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October 16, 2009

The Honorable Governor and Honorable Members of the State Legislature  
State of Delaware, Department of Transportation  
Dover, Delaware

Ladies and Gentlemen:

We have audited the financial statements of the Delaware Transit Corporation (DTC), a subsidiary of the Delaware Transit Authority, which is a blended component unit of the State of Delaware, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 16, 2009. In planning and performing our audit of the financial statements, in accordance with auditing standards generally accepted in the United States of America, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of DTC's internal control. Accordingly, we do not express an opinion on the effectiveness of the DTC's internal control.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized in the attached **Appendix A**.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of DTC's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This communication is intended solely for the information and use of the State of Delaware Department of Transportation, management, Office of the Governor, Attorney General, Office of Management and Budget, Department of Finance and others within the State, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**



## **Appendix A**

### **Para-Transit Revenue Reconciliations**

#### *Observation*

DTC's controls surrounding Para-Transit revenue includes random Para-Transit audits that are intended to ensure that the proper amount of cash has been collected and deposited.

KPMG notes that although daily audits were being performed and approved, all of the audits reviewed illustrated unreconciled differences between the amount of cash due and the amount of cash collected. Upon inquiry, KPMG was informed there was not a procedure in place for the reconciliation of the variances found on the daily audits.

#### *Recommendation*

We recommend that a policy is put in place to investigate any differences between the cash due and the amount of cash collected.

#### *Management's Response*

While the revenues collected and associated with each paratransit trip is immaterial individually (either \$1.00 or \$2.00 per trip) and in the aggregate when compared to the overall entity, DTC agrees that the current procedures and controls should be looked at further.

DTC is currently reviewing the policies and procedures associated with paratransit revenues and is working to determine a cost effective procedure or control for increasing the level of assurance that all paratransit revenues that should be collected and deposited are being collected and deposited.